



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**November 7, 2008**

**MORTGAGEE LETTER 2008-36**

**TO: ALL APPROVED MORTGAGEES**

**SUBJECT: 2009 FHA Maximum Mortgage Limits**

This Mortgagee Letter provides notice of the 2009 comprehensive update to the Federal Housing Administration's (FHA) single-family mortgage limits as a result of the enactment of the Housing and Economic Recovery Act of 2008 (HERA). The mortgage limits described in this Mortgagee Letter are effective for those loans which have credit approval on or after January 1, 2009, and apply to mortgages insured under the following Sections of the National Housing Act: Sections 203(b) (FHA's basic 1-4 family mortgage insurance program), 203(h) (mortgages for disaster victims), 203(k) (rehabilitation mortgage insurance) and 234(c) (condominium units). Instructions for FHA's Home Equity Conversion Mortgages (HECM) under Section 255 are set forth below.

Under the Housing and Economic Recovery Act (HERA) of 2008 passed in July 2008 (Section 1124), the Federal Housing Finance Agency (FHFA) was established and directed to set conforming loan limits each year for the nation as a whole, as well as for high-cost areas. The rules governing how the loan limits are established differ from the rules set forth in the Economic Stimulus Act of 2008 (ESA), which applies to loans originated in 2008. For example, under ESA, loan limits for high-cost areas were set at 125 percent of local house price medians and the maximum high-cost limit was 175 percent of the national conforming limit (\$729,750 in the continental U.S.). See Mortgagee Letter 2008-06, dated March 6, 2008.

HERA stipulates that the national loan limit for one-unit homes in the continental United States shall be pegged to a house price index chosen by the FHFA. The national loan limit for 2009 will remain at \$417,000. HERA provides that the mortgage limit for any given area shall be set at 115 percent of the median house price in that area, as determined by the Department of Housing and Urban Development, except that the FHA mortgage limit in any given area cannot exceed 150 percent of the Freddie Mac national loan limit, nor be lower than 65 percent of the Freddie Mac national loan limit for a residence of applicable size. Section 2112 of HERA further amends Section 203(b) of the National Housing Act to stipulate that the maximum principal loan obligation cannot exceed 100 percent of the appraised value of the property.

FHA's floor and ceiling loan limits for 2009 are set forth below based on the limits set forth in HERA. Interested parties may view FHFA's press release regarding 2009 loan limits for Freddie Mac and Fannie Mae at <http://www.ofheo.gov/newsroom.aspx>.

In areas where 115 percent of the median house price is less than 65 percent of the Freddie Mac limit, the FHA limits are set at the 65 percent amount, i.e., the "floor," as follows:

One-Unit	\$271,050
Two-Unit	\$347,000
Three-Unit	\$419,400
Four-Unit	\$521,250

Any area where the limits exceed the floor is known as a "high cost" area. In areas where 115 percent of the median house price exceeds the 150 percent figure, the mortgage limits are set at the 150 percent amount, i.e., the "ceiling," as follows:

One-Unit	\$625,500
Two-Unit	\$800,775
Three-Unit	\$967,950
Four-Unit	\$1,202,925

For all other areas, i.e., those where 115 percent of the median home price for the area is in between the floor and the ceiling, the limit shall be at 115 percent of the median home price.

The list of areas where the FHA mortgage limits are at the ceiling is provided in Attachment I. The list of areas where the FHA mortgage limits are in between the ceiling and the floor is provided in Attachment II. For any areas not listed in either Attachment I or II, the FHA mortgage limits are at the floor.

#### **Special Exceptions for Alaska, Hawaii, Guam, and Virgin Islands:**

Section 214 of the National Housing Act permits mortgage limits for Alaska, Guam, Hawaii and the Virgin Islands to be adjusted up to 150% of the above ceilings, to account for higher costs of construction. Thus, these four areas have potential higher ceilings of \$938,250, \$1,201,150, \$1,451,925 and \$1,804,375 for 1-, 2-, 3-, and 4-unit dwellings, respectively. These areas and limits are also identified in Attachment I.

### **Home Equity Conversion Mortgages:**

Under the authority contained in HERA, the national mortgage limit for all Home Equity Conversion Mortgages (HECMs) insured under Section 255 of the National Housing Act, will be set in conformance with Section 305(a)(2) of the Federal Housing Loan Corporation Act (12 U.S.C. 1454(a)(2)). For all HECMs insured on or after November 6, 2008, the national mortgage dollar amount limit will be the national conforming limit for Freddie Mac of \$417,000.

The national mortgage dollar amount for HECMs, including the new purchase money mortgage HECMs, also may be increased in Alaska, Hawaii, Guam and the Virgin Islands. The loan limits in those jurisdictions may exceed the national mortgage dollar limit of \$417,000 up to 115 percent of the area median price, or \$625,500, whichever is less.

### **Where to find comprehensive listing of FHA local limits:**

A complete schedule of FHA mortgage limits for all high-cost counties is provided in the attachments to this Mortgagee Letter. In addition, downloadable files with complete listings of all counties, their loan limits, and the median prices used to determine those limits, are available at [http://www.hud.gov/pub/chums/file\\_layouts.html](http://www.hud.gov/pub/chums/file_layouts.html). That web site has loan-limit files for FHA forward loans, FHA HECM, and Fannie Mae and Freddie Mac purchases, with individual records at the county level. Loan limits are determined by the county in which a property is located, except that, for properties located in metropolitan statistical areas, as determined by the Office of Management and Budget, the limits are set using the county with the highest median price within the metropolitan area. If you are unsure if a county is within one of the metropolitan (or micropolitan) areas listed in the attachments, you should check the FHA mortgage limits internet site before closing the mortgage at a revised limit (<https://entp.hud.gov/idapp/html/hicostlook.cfm>). For a complete list of all metropolitan counties in the country by MSA, view the most recent OMB bulletin updating statistical area definitions and guidance at <http://www.whitehouse.gov/omb/bulletins/index.html>.

### **Requests for Local Increases:**

Appeals to local area loan limits determined by HUD for implementing provisions of the Housing and Economic Recovery Act of 2008 must be made within 30 days of this mortgagee letter. Due to the need to provide continuity in the abilities of lenders to take loan applications for future originations, the standard procedures for appeals stated in Mortgagee Letter 2007-01 (<http://portal.hud.gov/fha/reference/ml2007/07-01ml.doc>) are once again suspended. Each request for appeals must contain sufficient housing sales price data, listing one-family properties sold in an area, to represent home prices in the look-back period used by HUD for determining loan limits for 2009. That look-back period is January – August 2008. Appeals should differentiate between single-family residential and condominium and coop unit sales. All requests will be handled exclusively by FHA's Santa Ana Homeownership Center. That address is:

U.S. Department of Housing and Urban Development  
Santa Ana Homeownership Center  
Santa Ana Federal Building  
34 Civic Center Plaza, Room 7015  
Santa Ana, CA 92701-4003  
Attn: Program Support/Loan Limits

### **Seller Concessions and Verification of Sales**

Given the “softness” in a number of housing markets, FHA believes it imperative to remind lenders and appraisers of FHA’s policy regarding reporting seller concessions and the verification of sales data. This guidance was most recently expressed in Mortgagee Letter 2005-02.  
(<http://portal.hud.gov/fha/reference/ml2005/05-2ml.doc>)

### **Information Collection Requirements**

The information collection requirements contained in this Mortgagee Letter were approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). Approval of HECM Program is covered by OMB control number 2502-0302, with disclosures requirements being covered by OMB control numbers 2502-0265 and 2502-0059. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

If you have questions regarding this Mortgagee Letter, please call FHA’s Resource Center at 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

Brian D. Montgomery  
Assistant Secretary for Housing-  
Federal Housing Commissioner

Attachments